

FISCAL NOTE

HB 2912 – SB 3709

February 24, 2006

SUMMARY OF BILL: Repeals Tennessee's Inheritance Tax beginning with tax year 2007.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – \$52,800,000 - FY07-08
\$50,400,000 – FY08-09
\$59,500,000 - FY09-10
\$52,500,000 – FY10-11 and thereafter

Assumptions:

- Inheritance tax is permanently repealed beginning with tax year 2007.
- Under the *Economic Growth and Tax Relief Reconciliation Act of 2001* (EGTRRA), federal estate taxes will be repealed for calendar year 2010.
- Provisions of EGTRRA will no longer be effective on January 1, 2011 and the federal estate tax structure will revert to the structure that existed in calendar year 2001.
- Current state law allows filing extensions up to nine (9) months from decedent's death.
- Inheritance tax revenues are collected in the fiscal year subsequent to decedent's death due to filing extension period.
- According to the Department of Revenue, repealing the inheritance tax for tax year 2007 and beyond will cause state revenues to decrease by approximately \$52.8 million, \$50.4 million, and \$59.5 million for FY06-07, FY07-08, and FY08-09 respectively. In FY10-11 and each fiscal year thereafter, state revenues are estimated to decrease by approximately \$52.5 million.

- This proposed legislation does not apply to generation-skipping transfers after December 31, 2009 or to the estates of decedents dying after December 31, 2009.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director